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Imports by South Vietnam, by Country of Origin and Type of Financing

South Vietnam's imports have risen steadily in recent years reaching an estimated level of more than \$500 million in 1966, or roughly 51 percent above the 1963 level. The most striking characteristic of these imports has been the increasing importance of imports from the US in the total -- from roughly one quarter in 1963 to more than half in 1966. The most important other suppliers are the Republic of China, Japan and Indonesia. Imports from France, formerly an important source of supply for South Vietnam, have been prohibited since January 1964 except for a few items such as spare parts for French-made motor vehicles.

In recent years the US has financed between 60 and 70 percent of South Vietnam's imports. US financing is provided mainly for goods moving under the commercial import program and Title I of PL480. It is estimated that US funding of South Vietnamese imports under the CIP and Title I of PL480 amounted to about \$200 million in 1966 and CIP-financed imports, on the other hand, were roughly \$100 million.

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Index of Industrial Production

The industrial production index was first prepared in 1948, by the South Vietnamese National Institute of Statistics using that year as a base. Over 80 manufacturing activities account for 91 percent of the index value; mining and electricity production account for the remainder. Because of a lack of data, handicrafts and such activities as salt mining, quarrying, and printing are not included. Four light industrial activities -- food processing (14.5%), beverage production (4.1%), tobacco processing (13.7%), and textile manufacturing (10.6%) -- account for 42 percent of the total index value.

The cyclical nature of industrial production -- a sharp decline in the 3rd Quarter -- coincides with the summer months that slow transportation and fish catch and with a reduction of other supplies as part of the natural agricultural cycle. At the same time, some industrial labor migrates to rural areas to assist in transplanting the rice crop. In particular, the production of fish sauce, sugar, and alcoholic beverages declines markedly in the 3rd Quarter.

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Exports from South Vietnam, by Country of Destination and by Commodity,
1972 October 1982

In the past two years South Vietnam's exports have declined markedly. In 1966 these exports amounted to only an estimated \$35 million, or roughly one half the average annual value of exports during 1959-63. This recent decline stems from a reduction in exports of rubber and rice, which together had normally accounted for 90 percent of total South Vietnamese exports. Production of rubber in South Vietnam through April 1966 was comparable to 1964 levels, but since that time production has been well below that of 1964 because of growing insecurity, military action, and transportation difficulties in the plantation areas. As a result, rubber exports amounted to only 60,000 metric tons in 1966 compared with 72,000 metric tons in 1964 and an annual average of 73,000 metric tons during 1959-63. Traditionally, rice has been second to rubber as an earner of foreign exchange for South Vietnam. Because of flood devastation of the rice crop in Central Vietnam in late 1964, however, exports of rice were suspended in November of that year. Exports of rice have not been resumed because of a continuing decline in delta deliveries to Saigon, and South Vietnam now imports substantial quantities of rice.

Although France continues to be the most important single market for South Vietnam's exports, the French share in total exports has declined markedly -- from 35 percent during 1960-62 to 30 percent during 1963-65. Germany, the United Kingdom, Japan, Hong Kong, and Singapore share most of the remainder.

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Household and Cost of Living

The cost of living index is based on official data prepared by the South Vietnamese National Institute of Statistics. The index presented is for Vietnamese working class families in Saigon and includes a total of 30 items. Food has a weight of 32 percent; rent and utilities, 20 percent; clothing, 7 percent; and miscellaneous items, 21 percent. This index shows that the cost of living has risen steadily since 1960 and that the increase was especially rapid in 1965. Money supply data are from the National Bank of Vietnam and include notes in circulation and private demand deposits. The money supply also has grown steadily since 1960, and as in the case of cost of living the increase was particularly sharp in 1965 -- more than 30 percent. The inflationary pressures on the economy of South Vietnam stem from the following two principal factors, both of which are related to the war: 1/ the large deficit in the GVE budget resulting from an extraordinary increase in expenditures, and 2/ the large demands placed on the local economy by US forces for construction, operations, and personnel expenditures.

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Rice Stocks: Saigon and Delta

The data on rice stocks in Saigon and the Mekong delta are derived from official Vietnamese statistics on government and privately-owned stocks. These stocks consist of both paddy (especially in the delta) and various grades of milled rice, but are expressed in the graph in terms of milled rice equivalent. The government portion of the stocks is located principally in Saigon and is used to supply such rice deficit areas as the western provinces in South Vietnam and, until recently, Central Vietnam. At the present time, government stocks in Saigon consist mainly of imported rice; delta stocks consist of domestic rice. The graph shows the cyclical nature of these stocks, which are dependent on the main delta crop harvested between December and February, and the fluctuation of stock levels since 1963. A severe crisis was placed on Saigon stocks in mid-1965. The somewhat stronger position in early 1966 results from increased imports.

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Foreign Trade of South Vietnam

Foreign trade data are from the Vietnamese Directorate General of Customs. Exports are valued f.o.b.; imports, a.i.f. Imports exclude military equipment provided under the U.S. Military Assistance Program. Imports and exports are tabulated at the time customs declarations are prepared. To the extent that goods are kept in bonded customs warehouses, these data deviate from actual arrivals at port. For both exports and imports, the Customs Directorate converts the declared foreign exchange value to piasters at the official rate of exchange. Consequently, piaster values have been converted to US dollars at the rate of 35 piasters to US one dollar.

This graphic shows that while total trade (exports plus imports) has fluctuated somewhat, there has been a steady increase in imports by South Vietnam. At the same time, with the exception of 1963 when South Vietnam exported an unusually large quantity of rice, exports have been declining steadily since 1960.

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Foreign Exchange Reserves

The data on gold and foreign currency holdings are from the National Bank of Vietnam and include gold and foreign currency holdings of the National Bank and Commercial Banks, less the Commercial Banks liabilities to foreign banks. Data are not available on the breakdown of total foreign exchange reserves into gold and foreign currency for the period preceding 1965. Holdings of gold have held steady at about \$20 million, whereas holdings of foreign currency have increased rather rapidly in recent months. By March 1966, foreign currency holdings amounted to \$166 million, or roughly two-thirds above the level of last summer. This increase has stemmed primarily from expenditures by US and foreign troops and construction workers, and US construction and military plaster purchases.

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